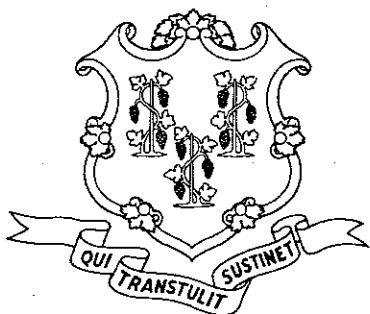


Department of Transportation

Connecticut General Assembly



LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

June 1984

CONNECTICUT GENERAL ASSEMBLY

LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 as the Legislative Program Review Committee to evaluate the efficiency and effectiveness of selected state programs and to recommend improvements where indicated. In 1975 the General Assembly expanded the Committee's function to include investigations and changed its name to the Legislative Program Review and Investigations Committee. During the 1977 session, the Committee's mandate was again expanded by the Executive Reorganization Act to include "Sunset" performance reviews of nearly 100 agencies, boards, and commissions, commencing on January 1, 1979.

The Committee is composed of twelve members, three each appointed by the Senate President Pro Tempore and Minority Leader, and the Speaker of the House and Minority Leader.

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THE DEPARTMENT OF TRANSPORTATION:

A PERFORMANCE AUDIT

LEGISLATIVE PROGRAM REVIEW AND

INVESTIGATIONS COMMITTEE

JUNE 1984

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LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Department of Transportation: A Performance Audit

SUMMARY

Allegations of improprieties in the awarding of Department of Transportation (DOT) consultant contracts stemming from a criminal investigation of the department prompted the Legislative Program Review and Investigations Committee to undertake a performance audit of DOT in January 1983. Of particular concern to the committee was improving accountability for consultant hiring decisions, and insuring that the hiring system be competitive, objective, and free from outside influence. The committee analyzed the adequacy of existing procedures and considered additional ways to eliminate conflicts of interest and better detect improprieties.

The committee also reviewed the department's excess property sales program, and the systems for handling cash receipts and federal funds. The property sales program was examined to determine the potential for increasing state revenues through more effective liquidation of the department's unneeded real estate. The handling of cash receipts and federal funds was looked at because of deficiencies cited in internal department audits. During the course of the study, the committee found that DOT had undertaken satisfactory corrective action in the cash management area.

Excess Property Sales

Once the Department of Transportation determines a particular piece of property is no longer needed for transportation purposes, the parcel is designated as excess property. A detailed process exists for disposing of excess parcels, including offering the land to certain state agencies and municipalities prior to placing the land up for public bid or auction.

The program review committee found that as of April 1984 the Department of Transportation had an inventory of over 3,000 parcels of land worth between \$35 and \$87 million, depending on the assumptions used in developing a value estimate. Sales of these properties have been a low priority of the department; only \$3 million per year is realized through current sales efforts. While this may be understandable given the department's mission of constructing and maintaining transportation facilities, the committee believes greater attention should be given to reducing the inventory of excess property.

At the same time, the program review committee is concerned that proper procedures be followed for appraising land and offering it for sale. Current and proposed statutory requirements, as well as some existing departmental procedures aimed at ensuring that the state receives a fair price for the property, should be adhered to by the department during all excess property transactions. Opportunities for additional potential federal reimbursement should also be sought out by DOT.

Consultant Hiring Process

Current Department of Transportation procedures for the hiring of consultants require firms to compete for selection based on their qualifications, after which a contract including the fee for the work is negotiated with the firm deemed most qualified. The commissioner of transportation chooses the specific firm based on a screening and selection process that involves a panel of departmental employees. The panel, known as the Consultant Selection Panel, evaluates all of the applicants for a particular job and provides the commissioner with a list ranking the top five consultants from which he selects the firm to be hired.

Among the concerns of the program review committee were the reasons why a commissioner would select a firm other than that ranked number one by the Consultant Selection Panel and the importance of some of the specific criteria used by the panel to make its recommendations. The committee recommendations address procedural steps it believes should be clarified or changed. The committee also identified staffing deficiencies that affect the timeliness of both the selection and negotiation phases of the hiring process as well as the records maintained by the department on specific contracts.

The concerns of the program review committee related to direct and indirect solicitation and acceptance of gifts or gratuities are reflected in several recommendations. In particular, the committee proposes the establishment of clear penalties for non-compliance with departmental rules as well as regular reminders to employees of proper standards of conduct. The committee also recommends adoption by all state agencies of codes of ethics similar to that used by the Department of Transportation.

Financial Management

The Department of Transportation receives approximately 40 percent of its budget from federal funding sources. A clear record of how many dollars are obtained and how that money is spent is important to effective legislative oversight. Likewise, the proper billing of expenditures to ensure that the state receives all of its allotted share of funds needs to be monitored.

The program review committee recommendations in the area of financial management focus on improving the availability of data on federal fund expenditures. The recommendations are also directed at maintaining adequate Department of Transportation controls over federal reimbursements.

RECOMMENDATIONS

Excess Property Sales

1. Require the Department of Transportation to offer all public bid parcels in inventory as of July 1, 1984, for sale by December 31, 1990. A plan to offer these parcels should be developed by the Department of Transportation by January 1, 1985, and submitted to the Transportation Committee and the Transportation Subcommittee of the Appropriations Committee at that time. (p. 12)
2. The State Properties Review Board should be charged with the responsibility for ensuring that applicable statutes are followed by the Department of Transportation. Similarly, the commissioner of transportation should ensure that department procedures have been followed by requiring reviews of proposed transactions by Department of Transportation staff outside the Office of Rights of Way. (p. 13)
3. Require by statute that the Department of Transportation:
 - obtain a full appraisal on excess properties worth \$100,000 or more, and two appraisals if such a property is not to be sold through public bid or auction;
 - obtain appraisals or value reports prior to the determination of a sale price;
 - offer only public bid parcels to other state agencies; and
 - offer abutter parcels to all abutting landowners. (pp. 14-15)
4. Change the federal reimbursement funding method in order to begin collecting damage payments on excess parcels. (p. 16)
5. Eliminate the governor's screening committee review of leases and excess property sales. (p. 16)

Consultant Hiring Process

6. Modify the statutes on the commissioner's role in the Department of Transportation consultant selection process to permit the commissioner to accept or reject the firm ranked number one by the Consultant Selection Panel; however, if the number one consultant is rejected, the commissioner must provide a written justification for selecting a lower ranked consultant. (p. 28)
7. Limit the Consultant Selection Panel process to consultant services with an estimated value over \$50,000; make Department of Transportation bureau heads responsible for screening consultants for projects with a value of \$50,000 or less, and establish written guidelines for this selection process. (pp. 29-30)
8. Permit the appointment of temporary, supplemental Consultant Selection Panel members during peak selection periods. (p.30)
9. Eliminate volume of Department of Transportation work awarded in the past as a statutory criterion for evaluating and selecting consultants. (p. 31)
10. Amend the statutes to clearly authorize the Department of Transportation to establish and use a price proposal system for selecting consultants whenever feasible. (p. 31)
11. Establish in an administrative memorandum the process for hiring Office of Rights of Way fee appraisers and other consultants not covered by the statutory process. (p. 32)
12. Improve the department's past performance evaluation procedures for consultants as follows:
 - make such evaluations more reliable by weighting the importance of each of the evaluation factors according to needs of a particular job;
 - permit consultants to review and respond in writing to their evaluations; and
 - refine performance evaluation records (e.g., correct omissions in files, etc.). (pp. 32-33)
13. Establish consultant equal employment opportunity and affirmative action performance as an official consultant selection criterion; require identification of subconsultants, if any, and their Minority Business Enterprise/Women Business Enterprise status within final selection memorandum. (pp. 33-34)

14. Improve Consultant Selection Panel (CSP) procedures and operations in the following ways:
 - update the CSP procedures manual to incorporate recent legislative changes in the consultant hiring process;
 - establish in writing a policy regarding the establishment of a minimum level of technical competence required for each project;
 - establish in writing the procedure through which consultants not selected for interviews and/or for final awards can request an explanation from the Consultant Selection Panel; and
 - provide CSP with additional support staff services to develop and maintain a filing system for the panel's documents. (pp. 34-35)
15. Formalize Negotiations Committee structure and procedures by amending the statutes to:
 - provide for one-year terms and a staggered reappointment mechanism for Negotiations Committee members;
 - provide that actions of the Negotiations Committee require an affirmative vote of a majority of the members; and
 - require the Negotiations Committee to maintain records of its meetings that include, at a minimum, the time, date, place, and subject of the meeting; a listing of all persons in attendance; and a summary of decisions made. (p. 35)
16. Improve the negotiations/consultant agreement-processing function in the following ways:
 - assign two accountant positions to the Office of Documents Processing;
 - update the negotiations procedures manual to incorporate recent changes mandated by Public Act 83-521, including a memorandum summarizing fee negotiations for each project; and
 - refine and expand the department's computerized records on consultant services and correct errors and omissions in current records. (pp. 36-37)

17. Require the Department of Transportation to promulgate its current code of ethics administrative memorandum as regulations and include penalties for violations. (pp. 37-38)
18. The General Assembly should consider requiring all state agencies to adopt regulatory codes of ethics for all state employees that contain the same standards of conduct established by the Department of Transportation. (p. 38)

Financial Management

19. Require the Department of Transportation to develop a Source and Application of Funds Statement for federal funds and submit it to the General Assembly with the department's annual budget request. (p. 43)
20. Require the Division of Internal Audits of the Department of Transportation to continue auditing the Concurrent Audit Billing System. (p. 44)
21. Require the commissioner of transportation to issue a revised administrative memorandum making it clear that all internal audit reports, including appropriate department comments, are to be sent to the auditors of public accounts and the legislative committee of cognizance within 45 days of issuance. (p. 44)

CHAPTER I

INTRODUCTION

The Legislative Program Review and Investigations Committee voted to undertake a performance audit of the Department of Transportation (DOT) in January 1983. Allegations of improprieties in the award of Department of Transportation consultant contracts stemming from a criminal investigation of alleged corruption within the department prompted the review.

In addition to examining the consultant hiring process, the committee included the department's excess property sales program, and the systems for handling cash receipts and federal funds within the scope of the study. Serious concerns over possible conflicts of interest, favoritism, and political influence in past consultant hiring decisions made that aspect of departmental operations the major focus of the program review committee's performance audit.

Many of the issues examined by the committee during the review grew out of testimony presented during the 1983 trial of former Transportation Commissioner Arthur Powers. In April 1982, six months after Mr. Powers resigned from his post, he was arrested on charges including perjury, violating the state code of ethics for public officials, and bribe-receiving.

The perjury charge was related to statements Mr. Powers made in 1981 to a grand jury investigating alleged Department of Transportation corruption. The statements concerned his role in the selection of DOT consulting engineers and the determination of consultant fees. Acceptance of gratuities from consultants doing work for the department was the basis of the ethics violation charge. In regard to bribe-receiving, Mr. Powers was charged with receiving \$1,000 from an architect in exchange for favorable consideration for DOT consultant work.

The trial of Mr. Powers began in March 1983 and ended one month later when he pled guilty to two counts of hindering prosecution.

Many Legislative Program Review and Investigations Committee members were unhappy with the outcome of the Powers' trial since the serious charges of ethics code violations and bribe-receiving were never addressed. While the testimony presented at the trial did not appear to indicate any criminal wrongdoing in consultant hiring, witnesses described several instances in which it appeared the intent of the department's selection process had been subverted. According to trial witnesses, the commissioner had asked

employees responsible for screening prospective consultants to consider certain firms for specific projects, and he had discussed the choice of consultants prior to advertising for services in at least one project.

Doubts about the integrity of the Department of Transportation hiring system increased when three days of Mr. Powers' 1981 grand jury testimony, the only portions released during the committee's review, became public. Throughout his grand jury testimony, the former commissioner admitted to receiving gratuities--such as gifts of liquor, tickets, and golfing trips--from consulting engineers.

Mr. Powers further stated that it was very common practice for DOT employees to get gratuities from persons doing business with the department. He insisted, however, that his decisions concerning the award of consultant contracts were not in any way influenced by gratuities. In addition, Mr. Powers told the grand jury that although he received calls from individuals outside the department, including the state Democratic Party chairman, the then governor's husband, and a top executive aide, requesting that Mr. Powers give consideration to certain consultants, he never felt any pressure to select those firms.

Public confidence in the Department of Transportation was severely shaken by the exposure of these activities. However, many of the policies and procedures in effect while Mr. Powers was commissioner had been revised by his successor. J. William Burns, soon after his appointment as DOT commissioner in October 1981, instituted a number of administrative reforms that included a revamped consultant selection process and a total ban on the acceptance of gratuities by department personnel.

Legislation making the department's consultant hiring process statutory was also enacted during the 1983 regular session of the General Assembly. However, the Legislative Program Review and Investigations Committee believed a comprehensive performance audit of the impact of these administrative and legislative changes in the Department of Transportation consultant hiring process was required to restore public trust.

Scope of the Audit

The program review committee's performance audit of the Department of Transportation consultant hiring process focused on two primary concerns: improving accountability for consultant hiring decisions; and insuring that the hiring system be competitive, objective, and free from outside influence. Existing procedures were analyzed to assess the adequacy of checks and balances, both internal and external, over the award of DOT consultant contracts. Additional ways of eliminating possible conflicts

of interest and detecting improprieties in selection and negotiation activities were examined.

Alternative consultant hiring procedures were considered by the program review committee in an effort to identify the most effective methods of obtaining competent services at a fair price. The committee was also interested in increasing the efficiency of the Department of Transportation consultant hiring activities.

While charges of corruption led to the decision to examine consultant activities, the primary reason for studying the excess property sales program was the potential for increasing state revenues through more effective liquidation of the agency's sizable inventory of unneeded real estate. The committee also looked at the length of time required to complete sales.

The program review committee's examination of the department's management of cash receipts and federal funds was based upon critical internal department audits. Among the deficiencies cited by the internal DOT auditors were weak controls over monies coming into the department and late requests for federal reimbursement that resulted in lost opportunities to earn significant amounts of interest income. During the course of the performance audit, the committee found that the Department of Transportation had already undertaken actions to correct problems in the cash management area. As a result, the committee did not make any specific recommendations in this area.

Methodology

Initial information for the program review committee's performance audit was obtained through an examination of all relevant state and federal laws and regulations; internal department procedures manuals and administrative memoranda were also examined. Interviews to develop more detailed information were conducted with Department of Transportation employees and officials directly responsible for the departmental activities under review. The Office of Policy and Management, the State Properties Review Board, and the Hartford Regional Office of the Federal Highway Administration were contacted for information concerning their requirements and responsibilities for Department of Transportation activities.

Data on consultant services used by the department and the resources assigned to the consultant hiring function were collected from a variety of sources. The amount of time necessary to complete the selection, negotiation, and agreement-processing phases of the consultant hiring process were determined. Committee staff analyzed the records of the Consultant Selection Panel, a three-member panel used by the department to select consultants, from the time of the panel's inception in January 1982 through

October 1983. Negotiations Committee data on consultant services used by the department since January 1977 as well as a sample of the comprehensive files maintained for each consultant project negotiated by the committee were reviewed. Staff also observed several meetings each of the Consultant Selection Panel and the Negotiations Committee.

Input on the present Department of Transportation consultant hiring system as well as alternative hiring mechanisms was solicited from the Connecticut Society of Professional Engineers and several Connecticut consultant engineering firms. For comparative purposes, the consultant hiring process employed by the Department of Administrative Services, another state agency that uses a substantial number of consultants, was examined. In addition, program review committee staff surveyed the transportation agencies of seven Northeastern states concerning their procedures for hiring consultants. The state of Maryland, which has used the less common competitive price proposal system to procure consultant services since 1972, was also surveyed.

The Legislative Program Review and Investigations Committee held two hearings in March 1983 to receive testimony from DOT staff responsible for implementing the department's current policies and procedures on consultant services. To develop a better understanding of previous consultant hiring methods, the program review committee conducted a series of six hearings with invited witnesses between May and August of 1983. The primary purpose of these hearings was to identify the weaknesses of prior procedures in order to determine if similar problems could occur under the existing consultant hiring process.

Issues raised during the state's criminal investigation of alleged corruption within the Department of Transportation and the 1983 trial of former Transportation Commissioner Arthur Powers were also pursued at the committee's public hearings. Witnesses were questioned about conflicts of interest, favoritism, and political influence in the award of consultant contracts as well as irregularities in the selection of consulting engineers for certain, specific highway design projects. Questions in these areas were based upon an indepth review of all court transcripts from the Powers' trial, portions of his 1981 grand jury testimony, and related investigatory materials made available to the Legislative Program Review and Investigations Committee by the office of the chief state's attorney.

Committee staff reviewed excess property sales completed during 1982 to determine the time needed to complete sales and the department's adherence to statutory requirements and its own procedures. Information about the excess property sales methods used by other states and federal agencies was obtained and compared with the Connecticut system. A survey of persons who bought

excess property was conducted to obtain their opinions of the sales process.

Agency Comments

In February 1984, Transportation Commissioner J. William Burns was asked to appear before the program review committee to present his views on proposed recommendations being considered by the committee as well as to answer questions from committee members. At that time, the commissioner submitted a lengthy written response containing specific comments on each of the recommendations. He disagreed with the need for nearly all of the proposals contending that the department was already performing many of the recommended actions. In other cases, his objections were based on a belief that the commissioner of an agency should determine how a function should be carried out, not the legislature; if the legislature is dissatisfied with the results, it can hold the commissioner accountable.

The committee did take the commissioner's remarks into consideration before adopting its final recommendations. Several recommendations were modified to correct factual inaccuracies, but in most instances the committee voted to adopt the recommendations as originally proposed. Although some areas of concern had been addressed by the incumbent commissioner, the committee's intent was to ensure that recent procedural improvements continued to be performed. By recommending more explicit standards, formal guidelines, and stronger internal controls, the committee also sought to promote compliance with legislative intent as well as improve accountability to the legislature.

A copy of the commissioner's complete response is on file at the program review committee office.

CHAPTER II

EXCESS PROPERTY SALES

Overview

The property management division of the Office of Rights of Way (ROW) handles the sale of Department of Transportation property that is no longer needed for transportation purposes. The division maintains an inventory of the department's excess property and selects properties from this inventory for its annual sales program. Parcels in the inventory that are requested by potential buyers may also be added to the sales program.

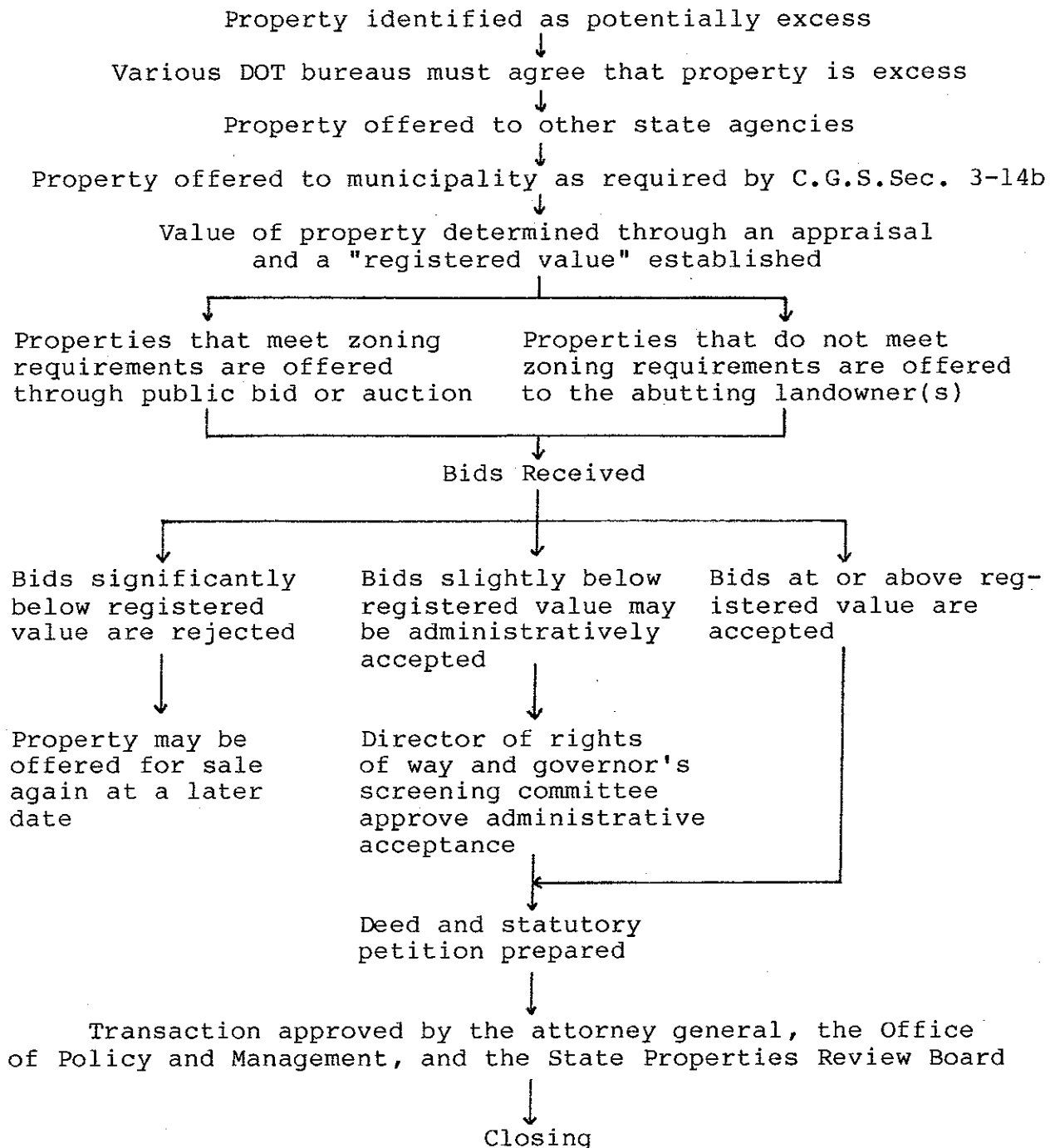
Property owned by the department may become excess for several reasons:

- only a portion of an entire property may be needed for transportation purposes;
- planned projects for which property has been acquired may be cancelled;
- the original project design may change so that a property is no longer needed; or
- a new road may be built and the old road abandoned.

Disposal process. The process used by the Department of Transportation to dispose of excess property is summarized in Figure II-1. Once DOT property is declared excess, it is offered directly to the Departments of Administrative Services and Environmental Protection, and offered to other state agencies through the Office of Policy and Management (OPM). State agencies may acquire DOT excess property at no cost, provided a need for the land is demonstrated. DOT is also required by C.G.S. Sec. 3-14b to offer the property to the municipality in which the land is located. Towns are required to pay for the property unless it is needed for transportation-related purposes.

Before excess property is offered for sale, it must be appraised by DOT staff or private appraisers. These appraisals are reviewed in turn by DOT staff, the Governor's Rights of Way Screening Committee, the Office of Policy and Management, and the State Properties Review Board to ensure that the value estimate is

Figure II-1. Steps in Excess Property Disposal by the Department of Transportation.



reasonable.¹ Once an appraisal is accepted by the Department of Transportation and the governor's screening committee, a "registered value" is established and the property can be offered for sale.

Properties that meet local zoning requirements are advertised and offered through public bid or auction. Abutter parcels (i.e., those parcels that cannot be used or developed on their own) are offered to the abutting landowner(s). Department policy requires an abutter to make a \$500 deposit before an abutter parcel is processed for sale to ensure that processing costs will be recovered. This deposit is applied to the sale price when the property is purchased.

If no acceptable offers for a parcel are received, the property may be offered for sale again at a later date if higher bids can be expected. Offers slightly below the registered value may be administratively accepted. Administrative acceptances are approved by the director of rights of way if the chances of a better offer at a later date are offset by the costs of DOT maintaining the property during the interim and processing it for sale again.

Once an offer is accepted, the property management division prepares a petition for the necessary statutory approvals and a deed is drafted. After approvals from the attorney general, OPM, and the properties review board are obtained, a closing date is established and the property is sold.

Statutes and regulations. State statutes require DOT to offer property to municipalities (C.G.S. Sec. 3-14b) and to obtain the approval of OPM and the State Properties Review Board for all sales (C.G.S. Sections 13a-73h and 13a-80). Other than these requirements, excess property sales are governed by DOT internal policies and procedures. There are no state regulations concerning the sale of excess property. Federal regulations address federal financial participation in the purchase and sale of excess property, but do not prescribe the sales procedures to be used by the states.

Resources and activities. There are five staff positions in the department devoted to excess property sales. Funding for these positions is contained in the budget for the Office of

¹ The Governor's Rights of Way Screening Committee consists of five members appointed by the governor to review DOT appraisals; the State Properties Review Board consists of six members appointed by legislative leadership to oversee the sale, lease, and purchase of property by state agencies.

Rights of Way. It is estimated that the cost of sales operations for state FY 84 will be approximately \$174,000. During calendar year 1982 the department sold or conveyed over 91 acres of property with revenues from sales totaling \$2.3 million. Sales activities during calendar year 1982 are depicted in Table II-1.

Table II-1. Excess Property Sales--1982.

<u>Activity</u>	<u>Transactions</u>	<u>Acres</u>	<u>Revenue</u>
Public Bid Sales	18	41.47	\$1,359,541
Abutter Sales	27	6.51	181,169
Sales to Towns	10	20.62	341,350
Transfers to Towns	5	9.75	--
Transfers to State Agencies	3	8.06	--
Easements Sold/Granted	14	--	10,634
Other	<u>12</u>	<u>4.98</u>	<u>372,350</u>
Total	89	91.39	\$2,265,044

Source: Legislative Program Review and Investigations Committee staff analysis of the Department of Transportation summary of excess property closings.

As of April 1984, the department's inventory of excess property consisted of 470 public bid parcels and 3,000 abutter parcels. Although the value of this property cannot be accurately determined without an appraisal of each property, the value can be estimated based on past average sale prices. When average sale prices for public bid parcels sold during state fiscal years 1982 and 1983 are used for projection, the value of the DOT inventory of public bid parcels is estimated to be \$35 million.

The total value of the abutter parcels is more difficult to estimate since a significant number of these properties will never be sold due to lack of interest. The value estimate for the abutter parcel inventory will thus vary with the percentage of

parcels assumed to be saleable. Given the average sale price of \$17,300 for abutter parcels sold during state fiscal years 1982 and 1983, the following value estimates can be developed:

<u>Percent Assumed Saleable</u>	<u>Value of Abutter Parcel Inventory</u>
100	\$51.9 million
75	38.9 million
50	25.9 million
25	13.0 million
0	0

Thus the value of all DOT excess property is estimated to be in the range of \$35 to \$87 million.

Findings and Recommendations

Excess Property Inventory

As of April 1984, the Department of Transportation inventory of excess property contained over 3,000 parcels of land worth from \$35 to \$87 million, depending on the assumptions used in developing a value estimate. Sales of excess property in state FY 83 totalled \$3.3 million for 101 parcels. Since land is continually being added to the inventory from recently completed projects, continuation of the present level of sales effort is not likely to reduce the substantial inventory that currently exists.

The level of sales effort is an indication of the low priority given to excess property sales in past years. The Department of Transportation's primary function is to construct and maintain transportation facilities; sale of excess property is an ancillary function and thus has not received a high priority within the department. This situation is illustrated by the fact that the number of positions devoted to excess property sales declined from 12 in state FY 83 to 5 in FY 84. In addition, the appraisers assigned to excess property sales have been periodically reassigned to review appraisals for the department's construction program.

While the low priority given to excess property may be understandable given DOT's mission, the program review committee believes that this situation should not continue. Increased sales efforts will generate revenue for both the state and towns (by putting excess land back on local tax rolls). **The Legislative Program Review and Investigations Committee recommends that the Department of Transportation be required to offer all public bid parcels in inventory on July 1, 1984, for sale by December 31, 1990.**

The department has estimated that seven additional personnel would be needed to meet this goal. **A plan to offer these parcels should be developed by the Department of Transportation by January 1, 1985, and submitted to the Transportation Committee as well as the Transportation Subcommittee of the Appropriations Committee at that time.**

Sales effort should be focused on public bid parcels since this land is more valuable and marketable than abutter parcels. The department's plan should include consideration of alternative sales methods (i.e., auctions and the use of real estate brokers) and provide for continued processing of selected abutter parcels and new public bid items. The department's state FY 86 budget request should include the resources needed for plan implementation.

State Statutes and Department Procedures

A review of the 56 excess property sales completed during 1982 indicated that statutory and DOT procedures were not adhered to in 20 (36 percent) cases. Among the discrepancies noted were:

- 15 of the 18 sales that were administrative acceptances (i.e., the sales price was below registered value) did not follow the required procedure of establishing a registered value and then submitting the administrative acceptance to the governor's screening committee for approval;
- in 2 cases, the department did not comply with C.G.S. Sec. 3-14b, which requires that parcels be offered to municipalities;
- 3 parcels were not offered to other state agencies;
- 3 abutter parcels were offered to only one of the two or more abutting property owners; and
- 2 parcels were sold without DOT concurrences that the properties were excess.

These instances of noncompliance were not detected or corrected by reviewers in the Department of Transportation, the attorney general's office, the Office of Policy and Management, or the State Properties Review Board. Current reviews of excess property transactions focus on ensuring that DOT is receiving a fair price for the property. While this is and should be a primary concern, adherence to statutory and departmental procedures should also be assured.

Therefore, the Legislative Program Review and Investigations Committee recommends that the State Properties Review Board be charged with the responsibility for ensuring that applicable statutes are followed by the Department of Transportation. Similarly, the commissioner of transportation should ensure that department procedures have been followed by requiring reviews of proposed transactions by Department of Transportation staff outside the Office of Rights of Way.

Statutory Requirements for Excess Property Sales

State law requires the Department of Transportation to offer excess property to the municipality in which the land is located; in addition OPM and the State Properties Review Board must approve all sales. All other requirements and procedures followed by DOT are contained in the department's internal procedure manual. As

noted earlier, a review of excess property files indicated that DOT frequently did not adhere to its own procedures. Therefore, the program review committee believes significant policy requirements should be placed in statute to stress the importance of compliance in these areas.

The first important policy area is the requirement for appraisals on valuable properties. DOT procedures call for two appraisals on properties worth \$100,000 or more, but this requirement can be waived by the rights of way director. Of the five properties worth \$100,000 sold during 1982, only two had the two appraisals suggested in the manual. Two of the parcels had one appraisal, and one had a DOT value report, which is an abbreviated version of a full appraisal. For valuable properties, the time and cost involved in a full appraisal is warranted. If a valuable property will not be exposed to the market through auction or public bid, a second appraisal should be obtained.

The Legislative Program Review and Investigations Committee recommends that the Department of Transportation be required by statute to obtain a full appraisal on properties with an estimated value of \$100,000 or more. A second appraisal should be required on such properties if the sale will not be made through public bid or auction.

Three other cases were also noted where value reports were prepared after a sale price was determined through bid or negotiation. Since the objectivity of an appraisal or value report completed after a price has been set is questionable, **the Legislative Program Review and Investigations Committee recommends that the Department of Transportation be required to obtain appraisals or value reports prior to the determination of a sale price.**

The offer of land to other state agencies is another important policy that the program review committee believes should be contained in statute. Current DOT policy requires that all excess parcels be offered to state agencies before they can be sold to the town or the public. While this is a commendable practice, it does slow down the sales process. Since state agency interest in abutter parcels (i.e., parcels that are of use only to abutting landowners) is unlikely unless an agency abuts the property, **the Legislative Program Review and Investigations Committee recommends that the Department of Transportation be required by statute to offer only public bid parcels to state agencies.**

Abutter parcels could still be offered to a state agency if it abutted the parcel or if the land was located in a wetlands area and might be needed by the Department of Environmental Protection. Public Act 83-334 requires all state agencies to notify the Department of Administrative Services of surplus land; an

exemption to this act will be needed to allow DOT to sell abutter parcels without making this notification.

The Department of Transportation should also be required to offer abutter parcels to all abutting landowners in order to maximize the price received for the land and afford all interested parties an equal opportunity to purchase the property. In three of the seven abutter bid sales reviewed, DOT failed to offer the property to all of the abutters. **Therefore, the Legislative Program Review and Investigations Committee recommends that the Department of Transportation be statutorily required to offer abutter parcels to all abutting landowners.**

Federal Reimbursement Method

States are allowed to choose one of two reimbursement methods for excess property acquisition. Currently, the Connecticut Department of Transportation receives federal funds for the purchase of land needed for a project, but excess land that must be purchased is paid for with state funds. If excess land is later sold by the state at a loss, federal reimbursement for a share of the loss is available.

The alternative reimbursement method provides for federal participation in the purchase of the needed land and a payment to the state for "damages" to the excess land. Damages are the decrease in value of the excess land due to its severance from the parcel needed for the project. Since the estimated loss in value (i.e., damages) is paid at the time of acquisition, there is no federal participation if a loss is suffered by the state when the excess land is sold.

In practice, DOT has not sold any excess parcels at a loss and thus has not received any federal funds after the time of acquisition. Since excess parcels are not sold until after project completion, inflation and appreciation of the property normally occur, and thus a loss on the sale of excess property is unlikely. The amount of damages payments DOT could have received over the years had the state elected the alternative reimbursement method cannot be accurately estimated.

During 1983, DOT elected to switch to the "damages" reimbursement method, but later reconsidered the decision and in December 1983 withdrew the request to change funding methods. Since the new funding method would require appraisal of damages as well as total property value, the appraisal division's workload would increase under the damages method. The division's workload will also be increasing as a result of the department's construction program. The impact of the added workload at a time when the regular workload is increasing was cited by the department as the reason the proposed change was cancelled. DOT has stated that the

funding option may be reconsidered at a later date when it would be easier to effect the change.

While recognizing the heavy workload associated with the upcoming construction program, **the Legislative Program Review and Investigations Committee recommends that the Department of Transportation change the federal reimbursement funding method in order to begin collecting damage payments on excess parcels.** Additional staff in the appraisal division may be required to effect the change, but increased staffing costs should be more than offset by the damages the state will receive.

Governor's Screening Committee

The Governor's Rights of Way Screening Committee was created by the Highway Department in the 1950s to provide an impartial review of property acquisitions and releases. In 1975, the General Assembly created the State Properties Review Board, in part to examine the soundness of business methods used by state agencies in acquiring, leasing, and selling property. Public Act 76-253, passed in 1976, required that all sales and leases of DOT property be reviewed and approved by the State Properties Review Board.

Review of leases and sales by both the governor's screening committee and the State Properties Review Board is an overlap of effort. Since the board has its own staff and is independent of the Department of Transportation, **the Legislative Program Review and Investigations Committee recommends that the governor's screening committee review of property sales and leases be eliminated.**

Excess Property Concurrences

During a review of the time needed to process excess property sales, long delays were noted when approval from other DOT bureaus was sought by the Office of Rights of Way. For the sales closed in 1982, an average of 117 calendar days elapsed between requests for concurrences and replies from the various DOT divisions. In February 1984 the department revised its concurrence procedures in an attempt to reduce the time needed to complete the process. **The Legislative Program Review and Investigations Committee commends the Department of Transportation for its effort to speed up concurrences and encourages continued emphasis in this area.**

Deposits on Bid Items

The department's procedure manual requires that a deposit accompany all bids for excess property, but does not prescribe the deposit amount to be required. In practice, deposit requirements on bid items were found to take two forms: a flat dollar amount

or a percentage of the amount bid. When a flat dollar amount was required, the amount was typically equal to 10 percent of the property's registered value. Persons familiar with DOT procedure could become aware of this practice and thus be able to determine the registered value of the property. Knowledge of the registered value could provide these persons with an advantage over other bidders.

In February 1984 the department reported to the program review committee that percentage deposits are used unless parcels are so valuable that a percentage deposit would serve to discourage bidders. **The Legislative Program Review and Investigations Committee recommends that the Department of Transportation's procedures on required bid deposits be amended to reflect the preference for percentage deposits.**

Appraisal Format and Excess Property Inventory Records

The Department of Transportation has made efforts to simplify the excess property appraisal format to reduce the time and expense involved in completing simple appraisals. The department should be commended and **the Legislative Program Review and Investigations Committee encourages continuation of efforts to streamline excess property appraisals.** Full appraisals should be required, however, for valuable properties and parcels that present complex or unique appraisal problems. (See first recommendation on page 14.)

The department has also begun to automate the excess property inventory. Active files (i.e., those that are being processed for sale) are now on an automated information system that will facilitate monitoring of the sales process and thus aid in the timely completion of sales. The division should be commended for this action as the automated system will be needed for the expanded sales effort recommended previously. **The Legislative Program Review and Investigations Committee recommends that inactive excess property files be added to the Department of Transportation's automated inventory system in the future to facilitate selection of parcels for the sales program.**

CHAPTER III

CONSULTANT HIRING PROCESS

Process Overview

Among the statutory powers of the commissioner of transportation is the authority to retain consultants for legal, financial, technical, or other assistance and advice (C.G.S. Sec. 13b-10). The process used by the Department of Transportation to hire consultants requires firms to compete for selection on the basis of their qualifications; then a contract is negotiated with the firm deemed most highly qualified for the assignment.

Statutory requirements for the transportation department's consultant hiring process were established during the 1983 regular legislative session under Public Act 83-521. The act was based on department regulations previously mandated in 1979 by Public Act 79-53. Those regulations formalized existing administrative policies and procedures for selecting consultants and negotiating their fees.

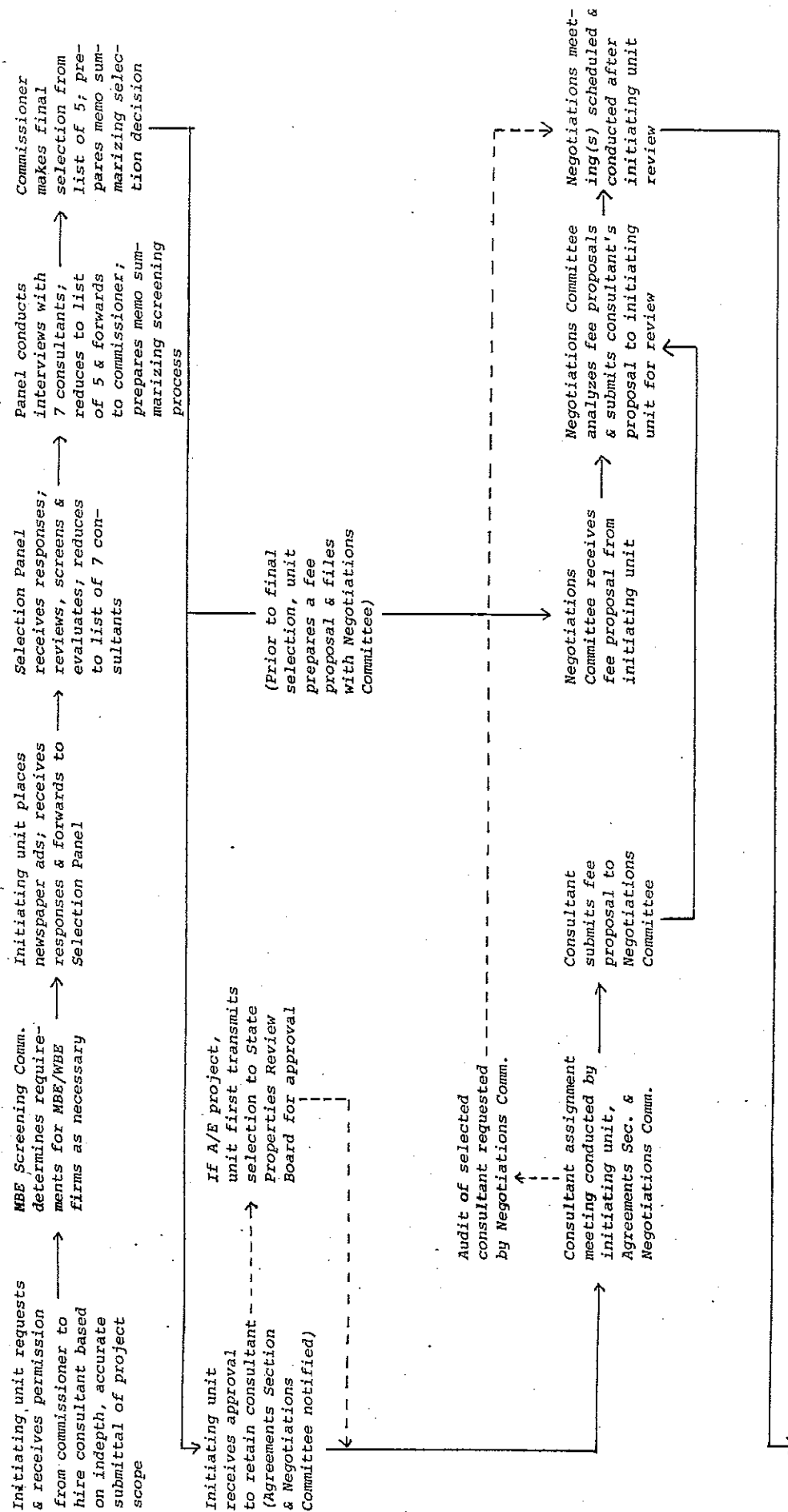
The current Department of Transportation consultant hiring process is comprised of three basic phases: screening and selection; fee negotiation; and agreement-processing. A flow diagram of the entire process indicating all major steps is presented in Figure III-1.

Selection phase. Responsibility for screening and evaluating the firms that respond to advertisements for outside consultant services rests with the department's permanent Consultant Selection Panel (CSP). The Consultant Selection Panel, which is comprised of department employees appointed by the commissioner, became operational in January 1982.

Panel membership is an assignment in addition to the employee's regular duties. Three members serve one-year terms; in addition, one to two individuals representing the DOT bureau requesting consultant services are appointed by the bureau head (subject to the commissioner's approval) to participate in the selection for specific projects. The panel's estimated operating costs, including as needed support services, were approximately \$74,000 for state FY 83.

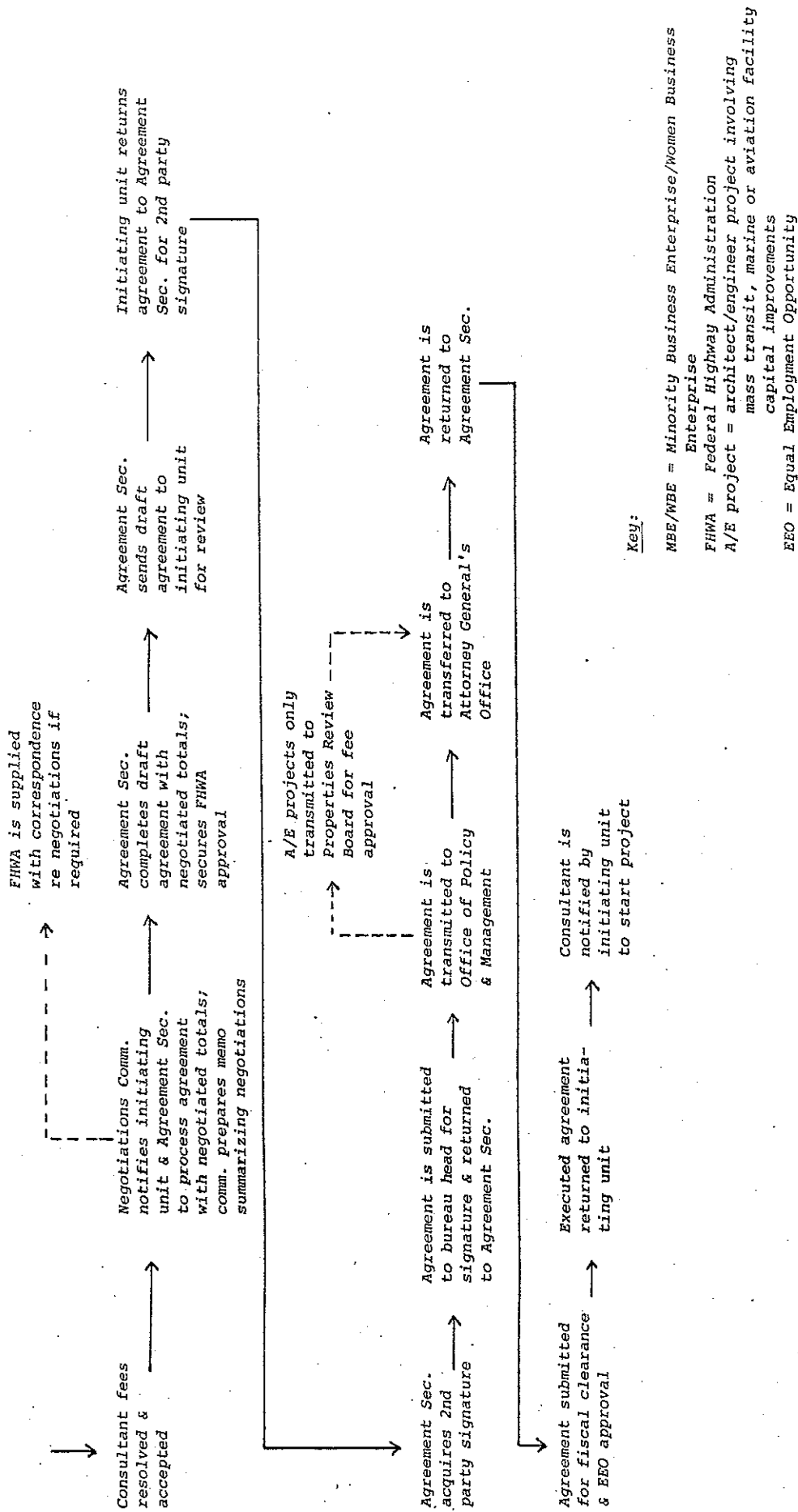
As of October 1983, the selection panel had completed its screening and evaluation function for 31 projects involving consultant fees (actual and estimated) totaling more than \$23.7 million. On average, the panel reviewed the qualifications of

Figure III-1. Department of Transportation Consultant Hiring Process.



continued

Figure III-1 (cont.)



26.5 consultant firms per project although the number of interested firms ranged from as few as 2 to as many as 69. In total, the Consultant Selection Panel reviewed 830 applications and conducted 164 interviews with 78 different consultant firms.

The selection panel begins its process by developing, with the help of initiating unit staff, a rating sheet that identifies key requirements, as well as any special services or staffing needs, for the project. Members individually complete this technical competence rating sheet for each consultant based on a review of the firm's organization, previous experience, and staff size and qualifications. Individual ratings are tabulated to develop a list of all consultants ranked in order of their composite technical competence scores.

Along with technical competence ratings, the selection panel considers volume of DOT work previously awarded and performance on prior projects in determining which seven consultants will be interviewed. Volume of work currently is measured by the number of projects and by the percentage of the dollar value of all DOT consultant work received during the past three years. Interviews, which last about an hour each, are held with the seven finalists. The panel members again individually rank the consultants after all interviews are completed; the results are then tabulated to determine the top five firms.

An alphabetical list of the five consultants--the "short list"--along with a memorandum outlining the screening process (e.g., the advertising and interviewing dates, the number of responses received, etc.) and summaries of the panel's various rating sheets, are sent to the commissioner. Using this information, the commissioner selects one of the five short-listed consultants.

Public Act 83-521 requires the commissioner to consider the same criteria as the selection panel: specialized design and technical competence; capacity and capability to perform the work, including any specialized services, within the time limitations; past record of performance with respect to such factors as control of costs, quality of work, conformance with requirements, and cooperation; and volume of DOT work awarded within the previous three years. The commissioner's decision is generally made within 10 days of receiving the Consultant Selection Panel's memorandum.

Negotiations phase. The Negotiations Committee has been responsible for reviewing fee proposals and negotiating contracts for DOT consultant services since 1977. The three committee members are department employees, appointed by the commissioner, who perform negotiations duties in addition to their regular assignments. Simultaneous membership on the committee and the Consultant Selection Panel is prohibited by statute. Salary costs

of the committee members total between \$35,000 and \$42,000 per year, depending on the negotiations workload.

The day-to-day activities of the negotiations process are handled by a negotiations coordinator with the assistance of two other employees within the DOT Office of Documents Processing. Staffing expenses directly related to negotiating consultant contract items in state FY 83 totaled about \$52,000. During the current fiscal year the negotiations coordinator was promoted to head of the Agreements Section of the Office of Documents Processing. Due to his new responsibilities, the coordinator now devotes 50 percent or less of his time rather than 100 percent to Negotiations Committee functions.

Prior to any negotiating sessions, an assignment meeting, attended by the consultant's staff, employees from the DOT initiating unit, and a Negotiations Committee representative, is held. At the meeting, the project scope, time frame, and fee proposal format are discussed in detail. Consultants are then required to submit their proposed fee, showing their estimates of the number of hours and types of employees (e.g., principal engineer, drafts-person, typist, etc.) required for each task involved in a project. The department's counterproposal, which is prepared by the initiating unit, similarly outlines the staffing and time needed by task. The negotiations coordinator compares the two proposals to identify any discrepancies between the estimates, prior to the committee's negotiating sessions.

The negotiations coordinator also reviews the consultant's proposal to insure adherence with state and federal requirements on consultant fees. State restrictions on consultant fees are specified by the Office of Policy and Management. Federal procurement laws and regulations must be complied with whenever federal funds are involved in a DOT project.

In accordance with federal requirements, an audit of the consultant's financial records is also conducted prior to fee negotiations if the estimated contract value exceeds \$50,000. The focus of the pre-award audit is to determine if the consultant's accounting system meets federal standards and if costs included in a fee proposal are allowable under federal regulations. Pre-award audits of consultants are performed by the department's External Audit Unit. The typical pre-award audit takes two auditors one to two weeks to complete. Generally, one week is spent in the field examining the consultant's records, and one week is required to write the audit report.

Audits are particularly important to fee negotiations since the department's method of compensation is based upon the consultant's actual costs of providing services for the project. In determining a fee, three factors are considered: payroll; burden,

fringe, and overhead (BFO), or normal business expenses; and a fixed fee for profit. Thus, a critical aspect of the pre-award audit is verification of the consultant's payroll, which is the base for computing a final fee. The external audit unit also examines a consultant's accounts to establish the percentage of payroll that will be allowed as a burden, fringe, and overhead factor during a fee negotiation. The BFO percentage is developed by dividing the consultant's total allowable payroll by total allowable overhead.

Audit information and the negotiation coordinator's comparison of the two fee proposals are the basis for the Negotiations Committee's actions during negotiating sessions. Many times, the consultant's and the state's proposals will be quite similar; however, in some cases, there will be large discrepancies. If there are significant differences regarding a number of areas, the project scope will be re-examined, and the committee may request that revised proposals be submitted.

Negotiating sessions last an average of four hours, although some deliberations can be concluded within an hour while other negotiations take several days to complete. In cases where a reasonable contract cannot be negotiated, the statutes authorize the committee to terminate its process and begin anew with another consultant selected by the commissioner from the Consultant Selection Panel short list for that project.

At the conclusion of the negotiating sessions, a letter containing the resolved amounts for each major fee item and the total fee is sent to the consultant. If the consultant concurs in writing with the committee's letter, the Agreements Section of the Office of Documents Processing is notified to begin processing the final agreement.

Agreement-processing phase. The Agreements Section reviews and processes the majority of the department's legal documents, which include leases and federal grants as well as consultant personal services agreements. For consultant contracts, the section's specific duties include: preparing draft and final agreements; securing required documents and support data; and obtaining the internal and external approvals and signatures necessary to execute the agreements.

Since October 1982, the Office of Documents Processing also has been responsible for coordinating and monitoring all three phases--selection, negotiations, and agreement-processing--of hiring consultants. At the time of the Legislative Program Review and Investigations Committee performance audit, a computerized system to monitor the status of consultant items was being developed. A preliminary system for reporting the current negotiating

and agreement-processing status of consultant contracts had been implemented.

Among the internal approvals of consultant contracts overseen by the Agreements Section is fiscal clearance by the DOT Office of Fiscal Services. The fiscal staff review insures that funding is in place for the consultant project. Obtaining the DOT contract compliance officer's signature, which indicates an agreement has cleared all equal employment opportunity (EEO) and related requirements, is another step handled by the Agreements Section.

Responsibility for administering and enforcing federal as well as state nondiscrimination and equal employment opportunity requirements rests with the department's EEO Contract Compliance Unit within the Bureau of Administration. A major requirement for consultant agreements involves the federal Minority Business Enterprise/Women Business Enterprise (MBE/WBE) program. Under this program, projects or portions of federally funded DOT projects must be set aside for award to certified minority- or women-owned businesses. At present, federal law mandates that at least 10 percent of a state's annual U.S. Department of Transportation surface transportation funding allocation goes to certified minority business enterprises.

A screening committee comprised of DOT personnel including the contract compliance officer, as well as nonvoting representatives from the state construction industry, a community labor organization, and the Federal Highway Administration, reviews all upcoming department projects to establish the levels of MBE/WBE participation (from 0 to 100 percent) that will be required in order to meet the overall 10 percent goal. Most minority- and women-owned consulting firms are too small to undertake a DOT project on their own. Therefore, the majority perform work for the Department of Transportation on a subcontract basis. Separate agreements are executed with MBE/WBE as well as other subconsultants who provide services to the firms with primary responsibility (prime consultants) for DOT projects.

The external processing steps coordinated by the Agreements Section staff include the review and approval of all DOT consultant contracts prior to their execution by the Office of Policy and Management and by the attorney general. Staff from the attorney general's office check the legal sufficiency of the contract documents while the OPM review assures compliance with its guidelines on fees.

The selection of and contracts with consultants for DOT capital improvement projects relating to mass transit, marine, and aviation transportation facilities are additionally subject to the approval of the State Properties Review Board. All other DOT consultant contracts including those for highway and bridge designs

are exempt from the properties review board process. Relatively few in number, only seven DOT mass transit, marine, or aviation projects were submitted to the board during calendar year 1983.

Connecticut DOT consultant agreements are additionally subject to review and approval by the U.S. Department of Transportation if a project is expected to receive federal funding. Highway design contracts, which comprise the majority of the department's consultant agreements, are forwarded by the Agreements Section to the Hartford office of the Federal Highway Administration. The federal staff review draft contracts and negotiated fees to check for compliance with applicable federal regulations and guidelines. Consultant agreements regarding federally funded urban mass transit, aviation, or railroad projects are subject to similar processes at regional offices of the appropriate U.S. DOT agency.

When all internal and external agreement-processing steps have been completed, the Agreements Section sends a copy of the executed contract to the initiating unit. In addition to notifying the consultant to begin work, the initiating unit is responsible for administering the agreement and monitoring the consultant's services.

In some cases, revisions of a consultant's personal services agreement are required after a project is underway. For example, if the scope of work changes significantly from that outlined in the original agreement, a supplemental agreement will be drawn up to cover the revised consultant services. Payments for minor additional services not specified under original agreements are generally made through extra work claims.

Supplemental agreements and extra work claims are handled in primarily the same manner as original agreements by the Negotiations Committee and the agreements-processing staff. Data on the various types of DOT consultant contract items executed over the past five fiscal years are presented in Table III-1.

The numbers of consultant items executed vary considerably from year to year for a variety of reasons. For example, significantly fewer consultant agreements were executed in state FY 79 than in other fiscal years included in the table. According to the department, fewer consultant services were needed that year since environmental litigation had postponed or cancelled a great deal of highway design work scheduled at that time. In contrast, a number of major highway projects were awarded in FY 81, which in turn produced the increase in the numbers of supplemental agreements and extra work claims during state fiscal years 1982 and 1983.

Table III-1. DOT Consultant Contract Items By Fiscal Year.
(All Items Executed, State FY 79 Through FY 83.)

<u>Items</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>
No. Agreements	20	46	34	40	39
No. Supplemental Agreements	3	10	11	18	22
No. Extra Work Claims	7	8	8	12	23
No. Subconsultant Agreements	4	14	7	27	38
No. Other ¹	<u>1</u>	<u>2</u>	<u>7</u>	<u>4</u>	<u>12</u>
	35	80	67	101	134
<u>Dollar Value</u> (in million \$)	\$13.63	\$14.21	\$34.42	\$10.33	\$30.32
<u>No. Consultants</u>	26	43	37	71	88

¹ Other includes primarily the periodic payments made to consultants who provide services as-needed under "on call" agreements.

Source: Department of Transportation Office of Documents Processing.

The total dollar value of executed consultant items each fiscal year also varies primarily as a result of fluctuating funding levels for highway projects. In general, the more state and/or federal monies authorized for DOT projects, the more consultants are used to supplement agency resources in order to implement newly funded projects.

Findings and Recommendations

Commissioner's Selection Role

The Department of Transportation's Consultant Selection Panel, through its screening and evaluation process, determines which consultant firms are most qualified for a department project. Although current law requires the transportation commissioner to select the most qualified firm from the panel's list, the commissioner does not have to choose the consultant rated highest by the panel. The commissioner is free to choose any of the five firms recommended by the selection panel and is only required to prepare a memorandum indicating how the statutory selection criteria were applied to determine the most qualified consultant.

A program review committee staff analysis of 26 consultant selections made during 1982 and 1983 found that the commissioner picked firms ranked lower than number one by the panel 65 percent of the time. The panel's number-one ranked firm was selected by the commissioner in nine cases while the number-two and the number-three ranked consultants were awarded projects in eight cases each. In one case where four separate firms were selected, the commissioner picked those ranked second, third, fourth, and fifth by the Consultant Selection Panel.

The Consultant Selection Panel determines its rankings by evaluating all relevant selection factors--specialized competence, capability and capacity, past performance, and volume of work previously awarded. There should be few if any occasions when the commissioner would be aware of a consultant's qualifications or abilities that had not been considered by the panel. The program review committee believes that the intent of selecting the most qualified firm for a project would be better met if the commissioner's authority were modified.

Therefore, the Legislative Program Review and Investigations Committee recommends that the statutes be amended to permit the commissioner of transportation to accept or reject the firm ranked number one by the Consultant Selection Panel. However, if the commissioner rejects the number-one ranked consultant, written justification for selecting a lower ranked consultant from the panel's list of five must be provided. The document should specify the factors that, in the commissioner's opinion, contributed to making the selected consultant the most qualified for a project.

Selection Process Exemption

Although intended to be a part-time body, the Consultant Selection Panel was recently assigned to its duties full-time in an effort to reduce a backlog of consultant selections. In addition, more time has been demanded from panel members since July 1, 1983, when the number of consultants to be interviewed per project was increased from five to seven and a previous exemption for projects with an estimated consultant fee of less than \$25,000 was eliminated.

Since higher value projects have been given priority for the selection process to date, the exemption elimination has not yet had an impact on the panel. However, the program review committee believes that the addition of these minor projects will place a strain on the panel's resources. Of the 39 consultant agreements executed during state fiscal year 1983, 16 had a value under \$25,000. The elimination of the \$25,000 ceiling, therefore, has the potential of nearly doubling the CSP annual workload since minor agreements demand the same number of interviews and meeting days, and nearly as much total panel time as more costly consultant projects.

The expense of the statutory selection process for minor consultant projects also is disproportionate to their fee value. Estimated selection panel expenses averaged more than \$3,300 per selection for the 22 projects completed by the panel during state FY 83. The estimated fee value of all projects handled by CSP through June 1983 averaged \$830,000. In contrast, the average value of the 16 consultant agreements executed for \$25,000 and under during FY 83 was \$11,500; 9 of the 16 were worth \$10,000 or less.

Given the facts of limited panel resources and difficulties in completing selections for high priority, large-fee projects in a timely manner, **the Legislative Program Review and Investigations Committee recommends that a new exemption of Department of Transportation projects with estimated fees of \$50,000 or less be established.** Based on executed agreement data from January 1977 to September 1983, this ceiling could preclude at least 12 minor projects per year from panel consideration.

Under the committee recommendation, the appropriate bureau head, rather than the Consultant Selection Panel, would evaluate and recommend consultants for exempted projects, as was the case under the former \$25,000 exemption system. However, to address a deficiency of that system, **the Legislative Program Review and Investigations Committee recommends that written guidelines including the same elements as the statutory selection process (e.g., application of the statutory criteria and, when feasible,**

advertising and interviews) be established for the exempted projects. The program review committee also recommends that the bureau heads prepare a written statement outlining the selection process used for each project worth \$50,000 or less and file it with the Consultant Selection Panel. In this way, all DOT consultant selections will be documented, and the records will be maintained in a single location.

Appointment of Temporary Consultant Selection Panel Members

Present state law makes no provision for supplementing Consultant Selection Panel membership during a heavy workload period. As a result, the three permanent panel members are now working on their selection duties on a full-time basis and are unable to attend to their regular assignments. The panel's heavy workload has also made it necessary to prioritize projects and has contributed to selection processing delays.

Total processing times for consultant selections (from advertising to the commissioner's final selection) ranged from 33 to 446 days as of September 1983. Prior to the full-time assignment of the Consultant Selection Panel in October 1983 the average time to complete the process was 127 days, or 80 percent longer than the department's 70-day goal for the selection phase. Furthermore, the panel's backlog had grown to 13 projects requiring the review of 404 consultant applications and 91 interviews.

In the program review committee's opinion, adding temporary members during peak selection periods would alleviate the burden now placed on permanent members, reduce the need to prioritize projects for selection panel consideration, prevent backlogs, and might shorten overall consultant selection processing times. **Therefore, the Legislative Program Review and Investigations Committee recommends that the statutes be amended to permit the appointment of a second three-member Consultant Selection Panel.** This supplemental body, comprised of former panel members if possible, would carry out consultant screening and evaluation functions on an as-needed basis.

Volume of DOT Work as a Criterion

The purpose of the Department of Transportation's selection process is to identify the most qualified consultant for a project. Current statutory criteria applied during the selection process includes volume of DOT work awarded within the previous three years. The program review committee contends that volume of department work received in the past is unrelated to a firm's competency except as it affects ability to provide services. This aspect of volume of work is considered within another, separate criterion--capacity and capability of the firm to perform the work.

All workload factors that directly impinge upon a firm's qualifications for a project are sufficiently addressed without taking into account DOT projects awarded in the past. **Therefore, the Legislative Program Review and Investigations Committee recommends elimination of volume of Department of Transportation work awarded within the previous three years as a criterion for selecting the most qualified firm.**

Use of Price Proposals

Under Public Act 83-521, passed in 1983, the Department of Transportation is required to negotiate a satisfactory contract, at a fair, competitive, and reasonable price, with the firm deemed most qualified for a project. Although not prohibited, existing law contains no specific reference to the use of price proposals.

The department has, in the past, requested fee proposals from prequalified firms and based the final selection for certain projects upon price. The program review committee believes this alternative selection process, in which selection of the consultant with the lowest price proposal is not mandatory, should continue to be available to the transportation department.

Current law does permit the department to solicit "full work proposals", which are not defined, for certain specialized projects. It may be possible for the department to request proposed fees under this provision. This vague authority, however, is not a satisfactory substitute for a specific policy statement permitting the transportation department to solicit fee proposals.

The Legislative Program Review and Investigations Committee recommends that the statutes be amended to clearly authorize the Department of Transportation to establish and use a competitive price proposal system whenever feasible. When work requirements are well defined and a number of consultants would be equally qualified for a project, price can be introduced into the selection process. Under these conditions, the committee believes that quality of service would not be sacrificed yet price competition could result in lower final consultant fees.

Guidelines for Hiring Rights of Way Consultants

The program review committee found that the statutory definition of "consultant" does not include Office of Rights of Way fee appraisers or members of the governor's screening committee. Therefore, the hiring of these types of consultants is exempt from the statutory process.

The Office of Rights of Way uses a standard procedure for selecting fee appraisers while the screening committee members are

appointed by the governor. Compensation for fee appraisers as well as for governor's screening committee members is set by the Office of Policy and Management. Thus, it is not necessary to negotiate the fees paid to these consultants.

However, the program review committee is concerned that the unique status of such consultants is not recognized in written department procedures or policies. To address this concern, **the Legislative Program Review and Investigations Committee recommends that an administrative memorandum outlining the hiring of fee appraisers and other Department of Transportation consultants not covered by statute be issued.**

Consultant Performance Evaluation Process

A consultant's past record of performance is one of the statutory criteria used during the Department of Transportation selection process. Under Public Act 83-521, the department is required to evaluate each consultant's performance at six-month intervals and upon completion of services. While the program review committee found that the department has complied with this mandate, several deficiencies within the current performance evaluation process were identified.

One problem area is the department's performance rating form, which was developed by the Consultant Selection Panel in 1982 for use by all DOT units. This rating sheet does not take into account the relative importance of the various performance factors. Thus, an unusually high or low rating for one factor can have a significant impact on a firm's overall score. The 12 major evaluation factors range from items that are critical to a project's success, such as technical knowledge and quality of work, to preferred but less essential characteristics, like knowledge of departmental procedures.

The Legislative Program Review and Investigations Committee recommends that the individual consultant performance evaluation factors be weighted (e.g., percentages could be assigned to each factor such that they would total 100 percent) according to their importance for successfully completing the work on a particular project. This would diminish the impact of one extreme rating on a firm's overall score, thus producing a more valid measure of general performance.

The program review committee further believes it is critical that the department's consultant performance evaluation process be as accurate and objective as possible since the Consultant Selection Panel can disqualify consultants from consideration for projects because of poor performance records. **Therefore, the Legislative Program Review and Investigations Committee recommends that at the completion of projects, consultants be permitted to**

review and respond in writing to their final performance evaluations. The consultant's response, in a format established by the department, should be retained as part of the official performance evaluation.

A final aspect of the performance evaluation system that needs attention is the organization of the files. At present, most evaluations, whether for one aspect of performance, all aspects, or for different projects, are filed chronologically by consultant firm. It can be difficult to determine a consultant's performance on a particular project, and, if deficiencies had been noted, whether improvements have occurred. In addition, the program review committee staff found that a number of the evaluations it reviewed were incomplete, although primarily in minor areas (e.g., project numbers were missing, the percent of work completed item was blank, etc.). **The Legislative Program Review and Investigations Committee recommends that consultant performance evaluation files be reorganized and incomplete records be corrected as Department of Transportation staff resources become available.**

EEO and MBE/WBE Performance Selection Criteria and Subconsultant Identification

A consultant's record of compliance with federal and state antidiscrimination policies is considered by the Consultant Selection Panel during its selection process. However, the panel has never established equal employment opportunity or Minority Business Enterprise/Woman Business Enterprise performance as a formal selection factor. To emphasize the importance of antidiscrimination efforts, **the Legislative Program Review and Investigations Committee recommends that a consultant's commitment to the goals of equal employment opportunity and affirmative action be established as an official selection criterion.** In addition, the Consultant Selection Panel should include in its policy manual a statement that firms that have not complied with EEO, affirmative action, and MBE/WBE contractual requirements, or those that evidence a lack of commitment to such policies will be disqualified from consideration for a project.

Another related concern of the committee is the lack of a public document listing the Department of Transportation's Minority Business Enterprise/Woman Business Enterprise consultants. Most minority-owned firms provide services on a subconsultant basis, and while the department's computerized listing of consultant contracts identifies subconsultant agreements, there is no indication of MBE/WBE status. In addition, records of the Consultant Selection Panel process that are made public only denote the prime consultant selected for a DOT project.

The program review committee believes that department actions regarding subconsultants, especially minority-owned firms, should be part of the public record of the selection process. **Therefore, the Legislative Program Review and Investigations Committee recommends that the memorandum the commissioner of transportation is statutorily required to prepare after making a final consultant selection indicate the subconsultants expected to participate in a project, if any, and their Minority Business Enterprise/Woman Business Enterprise status.**

Consultant Selection Panel Procedures

Although several aspects of the Consultant Selection Panel process have changed as a result of the enactment of P.A. 83-521, the panel has not updated its procedures manual. **The Legislative Program Review Committee recommends that the Consultant Selection Panel incorporate the new statutory provisions into its written procedures when the selection workload lightens.**

The Legislative Program Review and Investigations Committee also recommends that the Consultant Selection Panel establish and include in its manual a policy regarding the establishment of a minimum level of technical competence required for each project. In the committee's opinion, only consultants with the staff and qualifications necessary to undertake a Department of Transportation project should be considered for selection. By establishing for each project the lowest acceptable technical competence score and eliminating firms that fall below that minimum rating from further consideration, the panel will assure the selection process fulfills its intent of identifying the consultants most qualified for a DOT assignment.

A standard mechanism for responding to consultants that are not selected for a DOT project should also be outlined in the panel's policy and procedures manual. At present, interaction generally is limited to the CSP chairman responding to telephone inquiries from firms about the panel's selection process. However, to insure uniformity, **the Legislative Program Review and Investigations Committee recommends that the Consultant Selection Panel establish written procedures for responding to consultant inquiries.** At a minimum, these procedures should include the method for obtaining an explanation of the selection process, such as a letter from the consultant, and the time limit for requesting explanations.

Another final concern of the program review committee is the condition of the selection panel's files. Although very complete, these files have become disorganized and overcrowded. Since the panel files are the only record of the consultant screening process and much of the information they contain is open to the public, the files should be well-maintained. **The Legislative**

Program Review and Investigations Committee recommends that the part-time support staff person now assigned to the Consultant Selection Panel develop and maintain a filing system for the panel's documents. If this individual is unable to devote more time to the panel's functions, the department should assign another clerical person to the CSP on a part-time basis.

Negotiations Committee Structure and Operations

Most organizational aspects of the Negotiations Committee have never been formalized. Created by a 1977 departmental memorandum, the committee's terms and operating procedures were not stipulated. When the Negotiations Committee became a statutory body under Public Act 83-521, these matters still were not addressed.

The Legislative Program Review and Investigations Committee recommends that one-year terms be established in statute for Negotiations Committee members. A reappointment system in which one member is replaced each year while the remainder are reappointed should also be adopted. Under this system responsibility for negotiating consultant fees can be dispersed among more Department of Transportation employees while a core of experienced committee members will be maintained. To ensure that consultant contracts are negotiated by the committee as intended and not by a single member, the Legislative Program Review and Investigations Committee further recommends that the Negotiations Committee be required by statute to take action through a majority vote.

Finally, the Legislative Program Review and Investigations Committee recommends that the Negotiations Committee be required to keep written records of its meetings, including at a minimum: the time, date, place, and subject of the meeting; a listing of all persons in attendance; and a summary of decisions made. At present, this type of information is not available to the public. It is recognized that certain aspects of the negotiations process, such as the details of fee proposals, should remain confidential until a contract is finalized. By requiring the Negotiations Committee to document its activities as recommended, the program review committee believes accountability for DOT consultant contract decisions will be enhanced without compromising the confidential nature of negotiating sessions.

Negotiations and Consultant Agreement-Processing Functions

During the past year, the number of Office of Documents Processing personnel working directly on consultant agreement activities declined from the equivalent of 4.8 positions to 3.3 positions. At the same time, the negotiations and consultant agreement processing workload increased as more consultant services were used to implement the department's expanded highway and

bridge program. This combination of a heavier workload and reduced staffing may result in more consultant contract processing delays.

A program review committee staff analysis revealed that the hiring process frequently takes longer than the department's 200 calendar-day goal to complete. Almost 40 percent of the 51 agreements processed between January and October 1983 took longer than that just to negotiate and execute. Furthermore, delays during one or more of the 29 steps of the hiring process had occurred in all but one of the 51 completed contracts. Although some delays are beyond the control of the department, limited staff resources have been a major impediment.

To improve the efficiency of the hiring process, the **Legislative Program Review and Investigations Committee recommends assigning two accountant positions to the Office of Documents Processing.** Accounting personnel have the background required to analyze the consultant fee proposals; in addition, they can be trained to perform pre-award audits, another step critical to finalizing the consultant hiring process.

The Legislative Program Review and Investigations Committee also recommends that the Negotiations Committee procedures manual be updated to incorporate all relevant provisions of Public Act 83-521. A major change required by the act was the preparation of a memorandum summarizing Negotiations Committee actions on each project. The memorandum, which becomes available to the public upon request, must set forth the principal elements of the negotiations process in detail sufficient "...to reflect the significant considerations controlling price and other terms of the contract."

At present, the negotiations coordinator prepares a brief written summary of each completed negotiation; however, the level of detail provided is insufficient for analyzing the development of the final fee. To meet the intent of the new statutory requirement, **the Legislative Program Review and Investigations Committee recommends that the Negotiations Committee memorandum, in addition to comparing major price components, identify the burden, fringe, and overhead percentage allowed as well as the percentage and dollar amount of profit granted.** Significant discrepancies between proposals, and the primary items negotiated, such as the number of hours or types of personnel proposed for a task, should also be highlighted. In addition, the summary memorandum should describe each set of proposals received in cases where scope misunderstandings or other factors necessitated the submission of revised proposals.

The program review committee performance audit revealed that the negotiations coordinator has maintained comprehensive files on Negotiations Committee activities and computerized much of the

department's consultant services information. While the program review committee supports these computerization efforts and recognizes that refinements are underway, it believes immediate steps should be taken to improve the accuracy of the negotiations and agreement-processing data.

Therefore, the Legislative Program Review and Investigations Committee recommends that the current records, which contain numerous errors and omissions, particularly concerning agreement-processing times, be corrected. The computerized system should also be expanded to provide new information that would be useful to the department's planning and budgeting efforts. Data on consultant fees for a project over time, for example, are not centrally collected at present. To aid in preparing counterproposals and in estimating final project costs, this type of data should be incorporated in the computerized records maintained by the negotiations coordinator.

Code of Ethics Regulations

In November 1981, newly appointed transportation commissioner J. William Burns issued Administrative Memorandum No. 4, a clarified code of ethics policy for departmental employees. (See Appendix A.) This code, which is consistent with federal ethics policies and regulations, prohibits Department of Transportation employees from directly or indirectly soliciting or accepting any gift or gratuity that could cause or even create the appearance of a conflict of interest. In this respect, the department's internal conflict of interest standards are more stringent than those contained in the state's statutory code of ethics (C.G.S. Chapter 10).

The program review committee strongly supports the provisions of the current Department of Transportation code of ethics. Alleged corruption within the state transportation agency has been the subject of a grand jury probe and an ongoing Division of Criminal Justice investigation. The resulting allegations of special influence in the award of DOT consultant contracts, although criminal wrongdoing was never proven, have undermined public confidence in the agency's activities. Evidence from the state's attorneys and testimony given during program review committee public hearings that Department of Transportation officials had accepted gratuities from firms doing business with the state have also raised questions about consultant selection decisions.

The department's ban on the acceptance of gifts and gratuities can do much to eliminate potential conflicts of interest and ensure the integrity of the consultant hiring process. However, the Legislative Program Review and Investigations Committee recommends that the current Department of Transportation employee code

of ethics be promulgated as regulations to promote its implementation. Past administrative memoranda such as one issued in 1964 have addressed conflict of interest issues; yet department staff, including the former commissioner, were apparently unaware of such ethics policies when they received tickets, trips, meals, or other items from consultants and other service providers.

The program review committee believes a regulatory code of ethics will have more force and permanence than the present internal agency rules. The committee further believes the consequences of violating the code of ethics--reprimand, suspension, demotion, or dismissal--which would be the same whether the code were in an administrative memorandum or in regulations, should be clearly stated to DOT employees. Therefore, **the Legislative Program Review and Investigations Committee recommends that the proposed ethics regulations contain a section outlining the possible penalties for noncompliance.**

In addition to strengthening the agency code of ethics, the committee believes that Department of Transportation administrators from the commissioner down must set an example of compliance with code provisions for department employees. Managers should meet periodically with their staff members, perhaps as part of annual personnel reviews, to discuss conflict of interest issues and the intent of the DOT ethics code. All new employees should receive a copy of the code and a full explanation of its provisions from their supervisors.

The intent of the committee's recommendation to adopt the current administrative code of ethics as regulations is not to require a stricter standard of conduct of DOT employees than other state personnel. The department had already established this standard, which the committee determined to be a model ethics code. In fact, the program review committee believes it would be desirable to adopt the transportation department's code for all state employees. However, this was a matter outside the scope of the Department of Transportation performance audit.

It is recommended that the appropriate committee of the General Assembly consider requiring all state agencies to adopt regulatory codes of ethics for their employees that contain the same standards of conduct as established by the Department of Transportation. In addition to deterring conflict of interest situations throughout state government, a consistent ethics policy applicable to all in state service could be achieved.

CHAPTER IV

FINANCIAL MANAGEMENT

The Department of Transportation, with an annual budget in excess of \$250 million, uses a variety of mechanisms to oversee the proper receipt and disbursement of funds. During the performance audit of the department, the program review committee was particularly interested in obtaining information about the amount of federal funds received and the manner in which the state bills for those funds. The committee also examined the department's internal audit operations, including the distribution of audit reports.

Federal Funds

The Department of Transportation receives funds from a number of federal agencies. These agencies include the Federal Highway Administration (FHWA), the Urban Mass Transportation Administration (UMTA), the Federal Railroad Administration (FRA), and the Federal Aviation Administration (FAA). The funds are received based on the federal fiscal year, which runs from October 1 through September 30 of the next calendar year.

The Department of Transportation receives capital grants for new construction, rehabilitation, design work, and certain maintenance activities as well as operating subsidies for bus and rail services. Table IV-1 shows the amount of federal assistance Connecticut received for transportation purposes during the past three state fiscal years.

Federal highway funds. The process for receiving Federal Highway Administration funding is governed by federal regulations. At the start of each federal fiscal year the Department of Transportation must provide FHWA with an annual program of projects. The department can update the program during the fiscal year but requested changes must be approved by FHWA.

After FHWA approval is granted, a federal-aid receivable account is established by the state comptroller. An allotment request for state matching funds is processed for the governor's approval. If state bond funds are required, the department must obtain State Bond Commission approval for the state matching funds before the allotment request can be processed.

Once the state and federal funds are approved, a project initiation memorandum is circulated to notify the operating units within the Department of Transportation that work on the project may commence. All expenditures are recorded by project number on the Concurrent Audit Billing System, which is the basis for the department's automated billing for federal highway projects.

Table IV-1. Department of Transportation Federal Funding Sources.

<u>Federal Agency</u>	<u>State FY 82</u>	<u>State FY 83</u>	<u>State FY 84*</u>
Federal Railway Administration	\$2,570,765	\$280,066	\$762,000
Federal Highway Administration	109,876,536	97,089,729	160,800,000
Federal Aviation Administration	1,928,340	0	2,486,000
Urban Mass Transportation Administration	<u>30,760,523</u>	<u>26,548,563</u>	<u>22,000,000</u>
TOTAL	\$145,136,164	\$123,918,358	\$186,048,000

* Anticipated amounts

Source: Connecticut Department of Transportation.

The Department of Transportation bills the FHWA district office in Hartford for the federal share of project costs every two weeks. Within a few days, payment is made to DOT through an electronic transfer process. The Division of Internal Audits continuously monitors the billing system to catch any mistakes and to insure that corrective action is taken immediately.

Mass transportation funding. The Department of Transportation receives capital grants and operating assistance from the Urban Mass Transportation Administration and capital grants from the Federal Railroad Administration. Under UMTA and FRA programs, the Department of Transportation deals with federal officials in the Boston and Albany regional offices, depending on the location of the project.

Prior to the start of the federal fiscal year, DOT must approve capital grant applications from transit companies and allocate funding for each project approved. As with FHWA grants, all billing requests are processed through the Concurrent Audit Billing System. The department is presently billing UMTA and FRA grants on a biweekly basis.

Operating assistance funds from the Urban Mass Transportation Administration must be requested prior to the start of the federal fiscal year. After UMTA approves the application, a contract is sent to the commissioner of transportation for his signature. DOT disperses operating subsidies to local transit companies based upon signed agreements. Local recipients receive payments from the Department of Transportation at the beginning of the state fiscal year. The department is not reimbursed by UMTA until later in the year.

Federal Aeronautics Administration. Prior to the start of the federal fiscal year, the Department of Transportation must submit a project application to the Federal Aeronautics Administration. FAA must approve the application and allocate federal money.

DOT must provide copies of all project invoices with its requests for reimbursement. The department bills FAA twice a month using the Concurrent Audit Billing System. The final 10 percent of a grant is usually withheld until after a post-audit has been completed by DOT and accepted by the Federal Aviation Administration.

Concurrent Audit Billing System

The Department of Transportation procedures for requesting federal reimbursement as well as recording expenditures are computerized through the Concurrent Audit Billing System. This automated system, which has been used to bill the Federal Highway Administration since the early 1970s, was recently extended to other federal funding agencies. Through this system all agencies except the Federal Railway Administration are billed twice a month for the federal share of project expenditures.

In addition to processing reimbursement requests, the billing system has built-in controls to prevent overcharging and assure compliance with federal cost limits and other federal requirements. The system also produces various reports, such as listings of all active projects and detailed summaries of expenditures.

Staff from the Department of Transportation Division of Internal Audits continuously monitor the billing system to verify the validity of reimbursement requests. A primary purpose of the billing system audits is to maximize federal cost participation by identifying coding errors or other mistakes that understate reimbursable costs and by insuring that corrective action is taken.

Internal Audit Reports

Since the late 1970s, the Department of Transportation has had staff performing internal auditing functions. In 1982 the Division of Internal Audits was created within the Office of Management Services and given specific responsibility for internal audits. The division, containing a supervisor and five accounts examiners, reports to the chief of management services, who in turn reports directly to the commissioner of transportation.

The federal government requires the Department of Transportation to perform financial compliance audits of all grants it receives. The Division of Internal Audits carries out these audits on an organization-wide basis rather than grant by grant, using all federal grant money received by the department as the data base from which a sample is drawn for review. The audits must be conducted at least once every two years.

The purpose of the federal grant audits is to determine whether there is effective control over and proper accounting of funds, and whether financial statements are presented fairly and in accordance with generally accepted accounting principles. The auditors also check whether federal financial reports contain accurate information and are in conformance with grant requirements, and whether federal funds are being expended in accordance with grant agreements and federal requirements.

In addition to examining federal programs, the division performs a state-mandated audit of the department's petty cash system annually. The division is also responsible for auditing the Concurrent Audit Billing System and performing audits and special reviews of other areas in the department as requested by the commissioner or other agency staff.

Internal audit report findings and recommendations are discussed with the head of an affected bureau prior to completion of the final audit report. A written response by the bureau head is included with the report when it is presented to the commissioner of transportation.

All reports prepared by the Division of Internal Audits concerning federal funds are sent to the Office of Inspector General in the U.S. Department of Transportation. Reports are also received by the appropriate federal funding agencies. On the state level, copies of internal audit reports are sent to the legislature's Transportation Committee and the auditors of public accounts.

Findings and Recommendations

Development of Source and Application of Funds Statement

A Source and Application of Funds Statement presents information on the funding received from outside agencies by a particular department. The statement also provides a breakdown of the expenditure of those funds by categories. Specific figures are presented on the amount of money allocated for personal services, equipment, contractual services, grants, operating assistance, and other items.

The Office of the Inspector General in the U.S. Department of Transportation requires state transportation departments to develop statements of federal funding sources, but it is not currently requiring statements of how these funds are expended. The Office of Management Services within the Connecticut Department of Transportation has suggested that the department develop a complete Source and Application of Funds Statement (i.e., both sources of funding and expenditures by category) for all federal funds it receives.

The availability of a Source and Application of Funds Statement would enhance the legislature's ability to oversee the expenditure of all Department of Transportation resources. Approximately 40 percent of the department's budget comes from federal funds. At a minimum, this type of financial statement would allow the legislature to have a detailed accounting of how federal funds are spent.

Therefore, the Legislative Program Review and Investigations Committee recommends that the Department of Transportation develop a Source and Application of Funds Statement for federal funds and submit the statement to the General Assembly with the department's annual budget request. The statement should include, at a minimum, the following information:

- sources of all federal money (e.g., Federal Highway Administration, Urban Mass Transportation Administration, and Federal Railroad Administration); and
- expenditures of those funds by category (e.g., personal services, equipment, contractual services, other expenses, grants, etc.).

Auditing of Concurrent Audit Billing System

The Department of Transportation's Division of Internal Audits has been auditing the billing of federal highway funds on the

Concurrent Audit Billing System for the past few years. This unit has taken on the additional role of auditing Urban Mass Transportation Administration and Federal Railway Administration payments.

A primary purpose of this function is to catch billing mistakes on a daily or weekly basis. The audits identify coding errors, omissions of project information, incorrect identification of grant status, keypunching errors, and miscellaneous adjustments. This function is a valuable fiscal control device. Accordingly, **the Legislative Program Review and Investigations Committee recommends that the Division of Internal Audits of the Department of Transportation continue auditing the Concurrent Audit Billing System.**

Internal DOT Audit Reports

During the course of the program review committee's hearings on the Department of Transportation, the need for broader distribution of departmental internal audit information was identified. The commissioner of transportation subsequently ordered that audits concerning the financial management system and other internal audit reports he deemed appropriate be sent to the auditors of public accounts and the legislature's Transportation Committee within 45 days of the issuance of the reports. Appropriate departmental comments and action plans are to be included also. This policy was outlined in Administrative Memorandum No. 81, dated September 15, 1983. (See Appendix B.)

It is the belief of the program review committee that all DOT internal audit reports should be transmitted by the department in order to enhance legislative oversight. At a program review committee hearing, the commissioner of transportation stated it was his intent that all internal audit reports be forwarded. The committee is concerned, however, that the current wording of the administrative memorandum is ambiguous and may result in some reports not being forwarded.

The Legislative Program Review and Investigations Committee recommends that the commissioner of transportation issue a revised administrative memorandum making it clear that all internal audit reports, including appropriate department comments, are to be sent to the auditors of public accounts and the legislative committee of cognizance within 45 days of issuance.

APPENDICES

APPENDIX A

STATE OF CONNECTICUT
DEPARTMENT OF TRANSPORTATION

November 18, 1981

ADMINISTRATIVE MEMORANDUM NO. 4

TO: ALL DEPARTMENT OF TRANSPORTATION EMPLOYEES

SUBJECT: CODE OF ETHICS

This memorandum is for the purpose of clearly defining the policies of the Department of Transportation on the solicitation and/or acceptance of gifts and gratuities and on outside employment or business involvement.

No employee of the Connecticut Department of Transportation shall, either individually (or as a member of a group), directly or indirectly, solicit or accept any gift or gratuity from any person or organization with whom he/she has, has had, or may expect to have, a business relationship which could cause, or create the appearance of, a conflict with or influence the performance of the employee's duties with the Department.

Any gift or gratuity must be refused or returned with a copy of the letter concerning our Code of Ethics Policy which has been sent to the concerns doing business with the Department of Transportation. The only exception recognized is for advertising matter which has negligible monetary value and which is widely distributed or generally available without charge.

No employee of the Connecticut Department of Transportation shall use or distribute State information or use State equipment or materials for other than State business purposes.

No employee of the Connecticut Department of Transportation shall allow any private obligation of employment or enterprise to take precedence over his/her responsibility to the Department.

No employee of the Connecticut Department of Transportation shall accept employment with any consultant, contractor, appraiser or any other organization or individual which is under contract or agreement with the State of Connecticut, nor shall any employee of the Connecticut Department of Transportation have, directly or indirectly, a financial interest in any business, firm or enterprise doing business with the State of Connecticut which could cause, or create the appearance of, a conflict with or influence the performance of the employee's duties with the Department.

The foregoing policies apply to all employees of the Department of Transportation, and it shall be the responsibility of each employee to be familiar with them and to comply with them.


J. William Burns
Commissioner

APPENDIX B

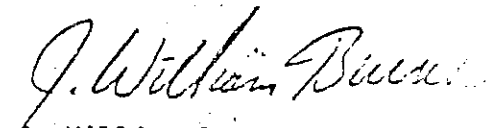
STATE OF CONNECTICUT
DEPARTMENT OF TRANSPORTATION

September 15, 1983

ADMINISTRATIVE MEMORANDUM NO. 81

SUBJECT: Resolution of Internal Audit Report
Findings and Recommendations

Administrative Memorandum No. 54, dated March 10, 1983, is amended to require that the Office of Management Services forward copies of all internal audit reports relating to the Department's financial management system and other internal audit reports as deemed appropriate by the Commissioner, along with the appropriate Bureau comments and/or action plans, to the Legislature's Transportation Committee and to the Auditors of Public Accounts within forty-five days of issuance of the audit report.


J. William Burns
Commissioner

List #3